

Tracking Mobile Payments: Samsung Pay

Overview: On March 1st, Samsung announced its much anticipated Samsung Pay mobile payment service. While it will not be launched until Summer 2015, we were able to learn a number of important details. Like Apple, Samsung Pay works within the confines of the payment system, partnering with existing payment networks and issuers. The key difference from Apple is the use of payment acceptance technology that ensures broader acceptance than just NFC (via LoopPay acquisition).

Samsung Pay: What We Know

Scope and Timing	Motivation and Value Proposition	Payments Accounts	Technology Approach	Data and Security
<ul style="list-style-type: none"> In-store payments (in-app not addressed) Available on Galaxy S6 and Galaxy S6 Edge Launch in the US and South Korea in Summer 2015, with Europe and China to come later 	<ul style="list-style-type: none"> Competitive pressures from Apple Pay and Google Wallet (and their recent purchase of Softcard assets and tie-in with MNOs) Aiming for “universal acceptance” by using a more widely available approach to payments technology 	<ul style="list-style-type: none"> Supports nearly all card types (including general purpose credit/debit, co-brand credit and importantly support private label credit cards (PLCC)) 	<ul style="list-style-type: none"> NFC and MST (Magnetic Secure Transmission) via LoopPay acquisition Acceptance for both magnetic strip enabled payment terminals and contactless terminals 	<ul style="list-style-type: none"> Card data stored remotely (not on the user’s device) Uses tokenization of card credentials, passing a secure code to the payment terminal

Customer Experience

Loading a Card:	Enter credit card information via the device (no preloading appears to be available)
Payment Transactions:	<ol style="list-style-type: none"> Swipe up from the “bezel” (the bottom button on the face of the phone) to activate Samsung Pay Choose a card, or use the card displayed on screen (see Figure 1) Authenticate with a fingerprint on the bezel of the device Tap to the card reader

Figure 1: Select a Card



Initial Perspective

Strengths/Advantages

- Significant market share; #2 mobile device manufacturer
- Unique technology approach of MST and NFC enabling acceptance at most US payment terminals

Challenges/Questions

- Device interoperability; the service only works on new devices
- How will it interact with its wireless carrier partners given Google Wallet’s acquisition of Softcard’s assets and subsequent tie-in with the carriers to preload the app?
- Does Samsung’s payment application conform with EMV standards?
- How will Samsung and/or the issuers validate the consumer’s identity during the provisioning process?
- While MST allows more acceptance options, will customers understand and adopt this new payment method? Will merchants invest in store training to assist customers?



Partners:

Payment Networks	
Banks / Issuers	<p><i>(Note: Samsung indicates there are more un-named signed partners)</i></p>
PLCC Issuers / Partners	

What’s Next?

Samsung has created considerable buzz with its mobile payment release. We would expect more issuer announcements in the short term, and perhaps similar to Apple Pay, an extension of use cases to in-app purchases, or extension to other markets and devices. Samsung Pay’s launch is just one of several recent developments including PayPal’s purchase of Paydiant (the app developer behind MCX’s CurrentC) that show the digital wallet space is still very much in flux with more important announcements to come.

For more perspective, please contact:

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